

**Honolulu Authority for Rapid Transportation**

**RESOLUTION NO. 2016-23**

APPROVING NOTIFICATION TO THE CITY COUNCIL OF INTENTION TO ACQUIRE PERMANENT EASEMENT OVER, ON, AND ACROSS THE REAL PROPERTY IDENTIFIED AS TAX MAP KEY 2-1-031-030 (PORTION), LOCATED AT 616 KEAWE STREET, HONOLULU HAWAII 96813 (ALSO REFERRED TO AS: 609 SOUTH STREET, HONOLULU, AND 607 SOUTH STREET, HONOLULU) AND OWNED BY SERVCO PACIFIC INC. BY EMINENT DOMAIN AND PUBLICATION OF A RESOLUTION AUTHORIZING ACQUISITION OF SAID EASEMENTS BY EMINENT DOMAIN

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended (Charter); and

WHEREAS, Section 17-103.2(b) of the Charter empowers HART "to acquire by eminent domain ... all real property or any interest therein necessary for the construction, maintenance, repair, extension or operation of the fixed guideway system;" and

WHEREAS, prior to such acquisition the Charter directs HART to submit a list of real property and easements to be acquired by eminent domain to the City Council; and

WHEREAS, the City Council may approve the acquisition by eminent domain or may object by adoption of a resolution within 45 days of the notification to acquire the real property and easements; and

WHEREAS, the acquisition by eminent domain of the permanent easement over, on, and across the real property identified as Tax Map Key (TMK) 2-1-031-030 (Portion) and more particularly described in the attached legal description marked as Exhibit A, is necessary for the Honolulu Rail Transit Project fixed guideway system, a valid public use and purpose;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That written notification to the City Council is approved, for the acquisition by eminent domain of the permanent easement over, on, and across the real property identified as TMK 2-1-031-030 (Portion); and
2. That in the event the City Council approves or does not object to the acquisition within 45 days of notification, then HART is authorized to publish in a daily newspaper at least three days prior to Board action, the attached resolution marked as Exhibit B, authorizing acquisition by eminent domain of said easements.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation  
on \_\_\_\_\_.

Exhibit A – Legal description of TMK 2-1-031-030 (Portion)

Exhibit B – Resolution No. 2016-\_\_\_\_, Authorizing the Acquisition of Permanent  
Easement Over, On, and Across the Real Property Identified as Tax Map  
Key 2-1-031-030 (Portion), located at 616 Keawe Street, Honolulu, Hawaii  
96813, and owned by Servco Pacific, Inc. by Eminent Domain.

\_\_\_\_\_  
Board Chair

ATTEST:

\_\_\_\_\_  
Board Administrator

## HONOLULU HIGH-CAPACITY TRANSIT CORRIDOR PROJECT

### PARCEL 447-A

#### BEING PORTION OF LOT 6-A (MAP 9) OF LAND COURT APPLICATION 345 SITUATE AT HONUAKAHA AND KAAKAUKUKUI, HONOLULU, OAHU, HAWAII

Beginning at the Southeast corner of this parcel of land, the direct azimuth and distance from the South corner of Lot 6-A (Map 9) of Land Court Application 345 being: 140° 30' 23.88 feet, and on the North side of Halekauwila Street, the coordinates of which referred to Government Survey Triangulation Station "PUNCHBOWL" being 4062.93 feet South and 3341.21 feet West and running by azimuths measured clockwise from true South:

- |    |              |             |   |
|----|--------------|-------------|---|
| 1. | 140° 30'     | 235.33 feet | along the North side of Halekauwila Street;                       |
| 2. | 229° 56' 30" | 2.54 feet   | along remainder of Lot 6-A (Map 9) of Land Court Application 345; |
| 3. | 319° 56' 30" | 7.12 feet   | along remainder of Lot 6-A (Map 9) of Land Court Application 345; |
| 4. | 229° 56' 30" | 23.84 feet  | along remainder of Lot 6-A (Map 9) of Land Court Application 345; |
| 5. | 319° 56' 30" | 194.17 feet | along remainder of Lot 6-A (Map 9) of Land Court Application 345; |
| 6. | 49° 56' 30"  | 27.18 feet  | along remainder of Lot 6-A (Map 9) of Land Court Application 345; |
| 7. | 319° 56' 30" | 34.03 feet  | along remainder of Lot 6-A (Map 9) of Land Court Application 345; |

8. 49° 56' 30" 1.51 feet along remainder of Lot 6-A (Map 9) of Land Court Application 345 to the point of beginning and containing an area of 5,383 square feet.



Description Prepared By:

ENGINEERS SURVEYORS HAWAII, INC.

A handwritten signature in dark ink, appearing to read "Miles S. Horie", written over a horizontal line.

Miles S Horie

Exp. 4/30/16

Licensed Professional Land Surveyor

Certificate Number 10007

1320 North School Street  
Honolulu, Hawaii 96817

This description is for exhibit purposes and does not purport a legally subdivided lot.

March 7, 2016

14-73

**Honolulu Authority for Rapid Transportation**

**RESOLUTION NO. 2016-\_\_**

**AUTHORIZING THE ACQUISITION OF PERMANENT EASEMENT OVER, ON, AND ACROSS THE REAL PROPERTY IDENTIFIED AS TAX MAP KEY 2-1-031-030 (PORTION), LOCATED AT 616 KEAWE STREET, HONOLULU HAWAII 96813, (ALSO REFERRED TO AS: 609 SOUTH STREET, HONOLULU, AND 607 SOUTH STREET, HONOLULU), AND OWNED BY SERVCO PACIFIC INC., BY EMINENT DOMAIN**

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended (Charter); and

WHEREAS, Section 17-103.2(b) of the Charter empowers HART "to acquire by eminent domain . . . all real property or any interest therein necessary for the construction, maintenance, repair, extension or operation of the fixed guideway system;" and

WHEREAS, the City Council approved or did not object to the acquisition of the permanent easement over, on, and across the real property identified as Tax Map Key (TMK) 2-1-031-030 (Portion) by eminent domain after written notification by HART; and

WHEREAS, the acquisition by eminent domain of said permanent easement over, on, and across the above-identified real property, which is more particularly described in the attached legal description marked as Exhibit A, is necessary for the Honolulu Rail Transit Project fixed guideway system, a valid public use and purpose;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That acquisition by eminent domain of the permanent easement over, on, and across the real property identified as TMK 2-1-031-030 (Portion) is hereby authorized and the Corporation Counsel of the City and County of Honolulu is empowered to institute eminent domain proceedings as provided by law for the acquisition thereof; and
2. That the acquisition of said easements by eminent domain is determined and declared to be for a valid public use and purpose as aforesaid; and
3. That the acquisition of said easements by eminent domain is determined and declared to be necessary for the aforesaid public use and purpose; and
4. That in the process of said proceedings in eminent domain, the Corporation Counsel is authorized and empowered to negotiate terms of settlement, subject to the approval of HART and/or the Court before which such proceedings are commenced; and

5. That the Board Administrator be directed to transmit copies of this resolution to HART and the Department of the Corporation Counsel.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on  
\_\_\_\_\_.

\_\_\_\_\_  
Board Chair

ATTEST:

\_\_\_\_\_  
Board Administrator

Exhibit A – Legal description of TMK 2-1-031-030 (Portion)

## HONOLULU HIGH-CAPACITY TRANSIT CORRIDOR PROJECT

### PARCEL 447-A

#### BEING PORTION OF LOT 6-A (MAP 9) OF LAND COURT APPLICATION 345 SITUATE AT HONUAKAHA AND KAAKAUKUKUL, HONOLULU, OAHU, HAWAII

Beginning at the Southeast corner of this parcel of land, the direct azimuth and distance from the South corner of Lot 6-A (Map 9) of Land Court Application 345 being: 140° 30' 23.88 feet, and on the North side of Halekauwila Street, the coordinates of which referred to Government Survey Triangulation Station "PUNCHBOWL" being 4062.93 feet South and 3341.21 feet West and running by azimuths measured clockwise from true South:

- |    |              |             |   |
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Miles S Horie

Exp. 4/30/16

Licensed Professional Land Surveyor

Certificate Number 10007

1320 North School Street  
Honolulu, Hawaii 96817

This description is for exhibit purposes and does not purport a legally subdivided lot.

March 7, 2016

14-73



# Honolulu Authority for Rapid Transportation

## STAFF SUMMARY

<b>TITLE:</b> <b>RESOLUTION NO. 2016-23 APPROVING NOTIFICATION TO THE CITY COUNCIL OF INTENTION TO ACQUIRE PERMANENT EASEMENT OVER, ON, AND ACROSS THE REAL PROPERTY IDENTIFIED AS TAX MAP KEY 2-1-031-030 (PORTION) BY EMINENT DOMAIN AND PUBLICATION OF A RESOLUTION AUTHORIZING ACQUISITION OF SAID EASEMENTS BY EMINENT DOMAIN</b>	<b>STAFF CONTACT:</b> Jesse K. Souki Morris M. Atta	<b>DATE:</b> 06/16/2016
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Type:	Goal	Focus Area	Reference Notes
<input checked="" type="checkbox"/> Action/Approval	<input checked="" type="checkbox"/> Project Delivery	<input checked="" type="checkbox"/> Livability/Land Use	
<input type="checkbox"/> Information	<input type="checkbox"/> Service Delivery	<input type="checkbox"/> Partnerships	
<input type="checkbox"/> Follow-up	<input checked="" type="checkbox"/> Resource Stewardship	<input type="checkbox"/> Agency Admin.	

### 1. Purpose:

Review of Notification to City Council for condemnation of land for public use, identified as Tax Map Key 2-1-031-030 (Portion), and situated at 616 Keawe Street (also referred to as: 609 South Street and 607 South Street), which is required for permanent easement for the Honolulu Rail Transit Project (HRTTP). This property, for which 5,383 square-foot permanent easement is required, is on the critical path for successful completion of the City Center Section of the HRTTP. The property is owned by Servco Pacific Inc.

HART recommends use of eminent domain to acquire the property.

### 2. Background/Justification

This property (Tax Map Key 2-1-031-030) was designated as needed for the HRTTP and identified in the Final Environmental Impact Statement (FEIS). As required under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) and FTA C5010.1D, the Owners were notified of HART's intent to acquire the property. An appraisal was conducted following URA guidelines, which took into consideration all site conditions and potential impacts.

- An appraisal report with an effective date of August 10, 2014 was conducted.
- A Letter of Offer dated October 1, 2014 was delivered.
- Owner rejected the HART offer on October 31, 2014.
- Owner submitted a counteroffer on October 2, 2015.
- HART is unable to justify settling the acquisition based on the owner's counteroffer and negotiations have become protracted.

This parcel is being referred to eminent domain in order to adhere to the project construction timeline. Access to this parcel is needed as soon as possible in order to avoid costly delays to the project schedule and timing. Negotiations with the Owner will continue during the eminent domain process.

### 3. Procurement Background

N/A

### 4. Financial/Budget Impact

The project budget includes an estimated cost for legal action associated with the eminent domain of the property.

**5. Policy Impact**

There is no policy impact since this action conforms to the requirement of the URA, FTA 5010.1D and Article XVII of the Charter of the City and County of Honolulu.

**6. Public Involvement**

N/A

**7. Alternatives**

There is no feasible alternative to avoid the above described impacts to the property.

**8. Exhibits**

Exhibit 1 – Letter of Offer dated October 1, 2014.

Exhibit 2 – Appraisal Summary prepared by John Child & Company with an effective appraisal date of August 10, 2014.

Exhibit 3 – Counteroffer from Owner dated October 2, 2015.

Exhibit 4 – Response to Counteroffer dated March 24, 2016.

**Certified and Recommended by:**



Executive Director and CEO

6/8/16

Date



HONOLULU AUTHORITY for RAPID TRANSPORTATION

 IN REPLY REFER TO:  
 CMS-APOOROW-00621

 Daniel A. Grabauskas  
 EXECUTIVE DIRECTOR AND CEO
HAND-DELIVERED

October 1, 2014

## BOARD OF DIRECTORS

 Ivan M. Lui-Kwan, Esq.  
 CHAIR

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 Kestlie W.K. Hui  
 Damien T.K. Kim  
 Carrie K.S. Okinaga, Esq.

 Ms. Carol K. Lam, Senior Vice President  
 Servco Pacific Inc.  
 Corporate Properties  
 2850 Pukoloa Street, Suite 300  
 Honolulu, Hawaii 96819

Dear Ms. Lam:

 Subject: Honolulu Rail Transit Project (H RTP)  
 616 Keawe Street  
 Parcel 447: Tax Map Key 2-1-031-030 (Partial)  
**Letter of Offer**

This is a follow-up to previous correspondence regarding the appraisal and acquisition of the subject property. An appraisal of your property has been completed. Based on our findings as contained in the enclosed Statement of Just Compensation, Honolulu Authority for Rapid Transportation (HART) offers to purchase a 5,383 square foot portion of your property, identified as Tax Map Key 2-1-031-030 (shown colored in yellow on the enclosed tax map), as a perpetual easement, for the total consideration of \$664,000 (Six Hundred Sixty-Four Thousand Dollars). Only ingress/egress will be permitted within the proposed easement. Parking, open yard storage, and fencing will not be permitted within the overhead station easement area. Clearance below the overhead station easement will be sufficient to allow containerized vehicles access to the property.

In addition, HART offers to purchase a Temporary Construction Easement (TCE) encompassing a total of 649 square feet (shown in blue on the enclosed map), for a total consideration of \$4,000 (Four Thousand Dollars). The purpose of the TCE is to facilitate street widening and construction of the improvements with the right-of-way (ROW). Activities that may be performed with the TCE may include: demolition, grading, utilities, traffic items, paving, and sidewalk. These activities may involve operation of equipment, movement of a work force on the described easement, and may include site security with temporary fencing. Construction within the TCE area would be limited to driveway and back of sidewalk connections to existing grades and surface restoration. The duration of the TCE's will be six months, with a start date to be determined thru coordination with you and HART's contractor.

The total offer for acquiring both interests in your property is \$668,000 (Six Hundred Sixty-Eight Thousand Dollars).

Ms. Carol K. Lam, Senior Vice President  
Page 2  
October 1, 2014

The amount of offer is predicated on the assumption that there exists no hazardous substance, product, or waste on the subject property. Please be advised that the amount offered is subject to completion of an environmental site assessment by HART, and the cost to remediate any identified findings may affect the valuation of the subject property.

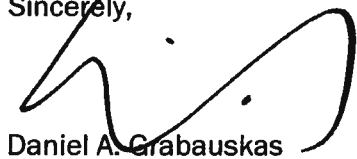
If this offer is acceptable, please sign the duplicate of this letter and the Consent to Enter and return them in the enclosed envelope by November 1, 2014. The remaining copies are for your files.

Also enclosed for your information is the Appraisal Summary Statement and the General Acquisition & Relocation Information Brochure.

In accordance with federal regulations affecting real property transactions, we request your cooperation in providing us with your Taxpayer Identification Number. Please execute and return the enclosed IRS Form W-9 at the same time. The W-9 is required by our Department of Budget and Fiscal Services to release the check.

Please call Mr. Walter "Cap" Havekorst at 808-799-3655 if you have any questions regarding this matter.

Sincerely,



Daniel A. Grabauskas  
Executive Director and CEO

Enclosure

cc: Mr. D. Scott MacKinnon, Esq.

ACCEPTED:

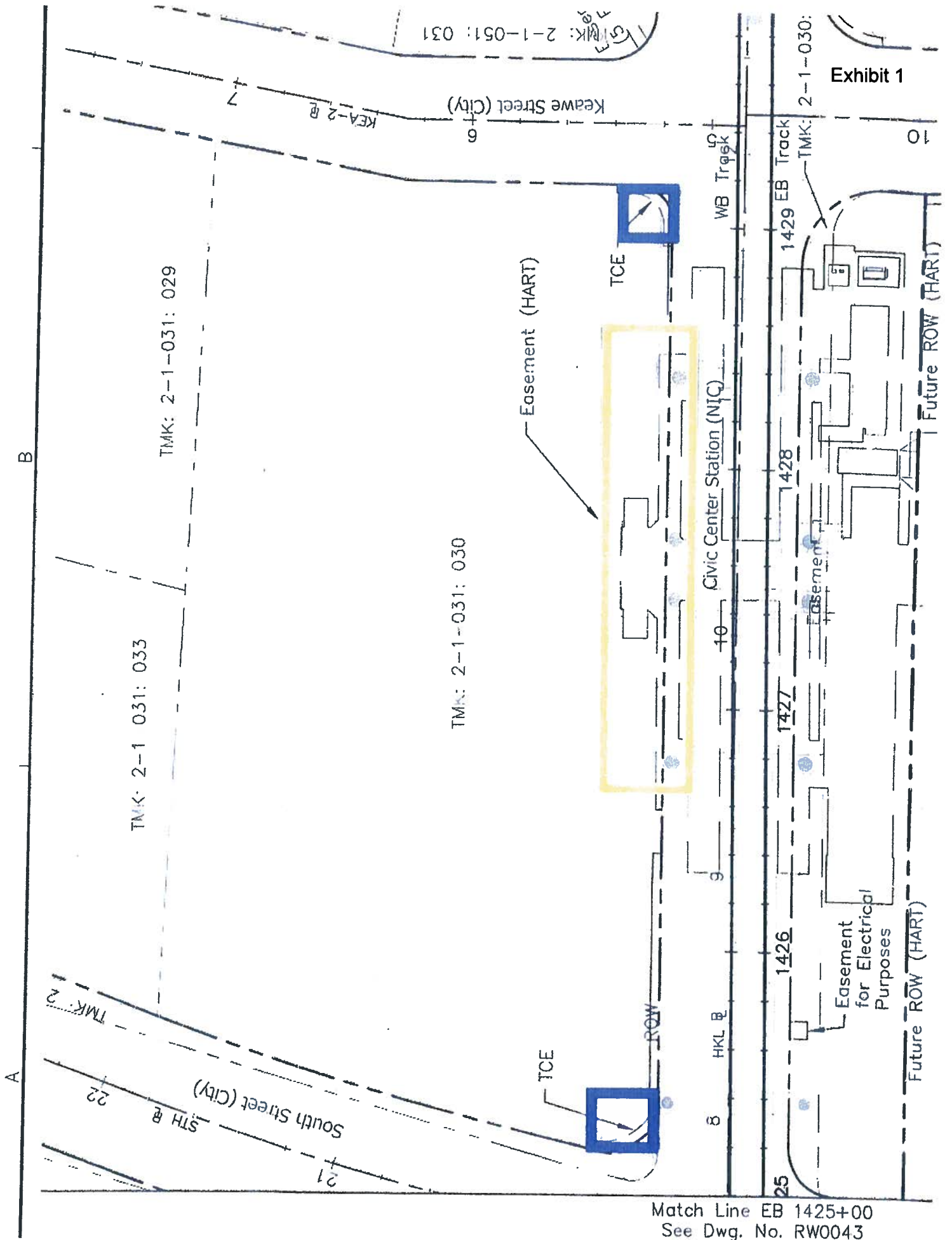
SERVCO PACIFIC INC.

By \_\_\_\_\_

Its \_\_\_\_\_

Print Name: \_\_\_\_\_

Dated: \_\_\_\_\_





Appraisal Report to

**City and County of Honolulu  
Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
Honolulu Rail Transit Project**

Covering the

**PARTIAL ACQUISITION OF THE  
SERVCO SOUTH STREET PROPERTY  
Tax Map Key (1) 2-1-031:030  
Owner: Servco Pacific, Inc.**

607 South Street,  
Kakaako, Honolulu, Oahu, Hawaii

As of August 10, 2014

(PDQ Parcel 447)



**JOHN CHILD & COMPANY**  
APPRAISERS & CONSULTANTS



August 20, 2014

Karen Char, MAI, CRE  
Paul D. Cool, MAI, CRE  
Shelly H. Tanaka, MAI  
Sammy Agsten

City and County of Honolulu  
Honolulu Authority for Rapid Transportation  
c/o Mr. Todd A. Salvatore  
Paragon Partners Ltd.  
5762 Bolsa Avenue, Suite 201  
Huntington Beach, California 92649

Dear Mr. Salvatore:

**Re: Partial Acquisition of the Servco South Street Property  
Tax Map Key (1) 2-1-031:030, PDQ Parcel 447**

At your request, John Child & Company has estimated the fair market value and annual market rent for certain ownership interests in the Servco South Street Property. This letter summarizes the background and estimated values presented in the attached report.

#### **STUDY BACKGROUND**

Servco Pacific, Inc. (Servco) owns the fee simple interest in a commercial property at 607 South Street, with frontage along Halekauwila and Keawe Streets, in Kakaako, Honolulu, Oahu, Hawaii. The property is identified as Tax Map Key 2-1-031:030 of the First Taxation Division.

The 75,714<sup>sq</sup> parcel is improved with two warehouse structures and adjacent and paved driveway and parking. The improvements were constructed in the early 1950s. The property functions as Servco's automotive service and parts supply centers in Honolulu.

Honolulu Authority for Rapid Transportation (HART), a semi-autonomous public transit authority, has retained Paragon Partners Ltd. as its consultant for the Honolulu Rail Transit Project (H RTP). The proposed H RTP guideway and Civic Center Station will encroach into a 5,383<sup>sq</sup> portion of the Servco South Street Property along Halekauwila Street. HART will also require Temporary Construction Easements totaling 649<sup>sq</sup>.

HART plans to acquire certain property rights across the affected portion of the property. In this regard, you asked us to assist you.



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
August 20, 2014  
Page 2

## **STUDY OBJECTIVES**

The objectives of our assistance are to:

1. Estimate the fair market value of the property rights over a 5,383 $\overline{7}$  portion of the Servco South Street Property associated with the H RTP guideway and Civic Center Station to be acquired by HART.
2. Estimate the annual market rent for the proposed 649 $\overline{7}$  Temporary Construction Easement on portions of the Servco South Street Property.

## **INTENDED USE AND USERS**

Our assistance is intended to be used by HART, Paragon Partners, Ltd. (Paragon Partners), and the U.S. Department of Transportation Federal Transit Administration (FTA) in connection with the H RTP.

As a result, our assistance is intended for the sole and exclusive use of HART (Client), Paragon Partners, and the FTA. The Client has agreed that our assistance is not intended for any other purpose or users and is not to be relied upon by any third parties for any purpose, whatsoever.

## **DATE OF PROPERTY VISIT**

The property was visited on May 20, 2014. Representatives of the property owner, Ms. Karen Shimizu and Mr. Cameron Camara, accompanied the appraiser. The appraiser subsequently visited the property on August 10, 2014.

## **EFFECTIVE DATE OF APPRAISAL**

The effective date of appraisal is August 10, 2014.

## **DATE OF REPORT**

The date of this report is August 20, 2014.





Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
August 20, 2014  
Page 3

## **DEFINITIONS OF TERMS**

Terms used in this report are defined in the Appraisal Institute's, **The Dictionary of Real Estate Appraisal**, Fifth Edition, unless otherwise footnoted.

### **Fair Market Value**

"Fair market value" has the same meaning as "market value."

Market value means the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. [1]

### **Market Rent**

Market rent means the most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options, and tenant improvements (TIs). [2]

### **Fee Simple Interest**

"Fee simple interest" is the same as "fee simple estate."

Fee simple estate is defined as absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

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[1] Interagency Land Acquisition Conference, **Uniform Appraisal Standards for Federal Land Acquisitions**, 2000.

[2] Appraisal Institute, **The Dictionary of Real Estate Appraisal**, Fifth Edition.



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
August 20, 2014  
Page 4

### **Hypothetical Condition**

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.

### **ASSUMPTION OF A HYPOTHETICAL CONDITION**

Section 24.103(b) of the Code of Federal Regulation (CFR) states:

“The appraiser shall disregard any decrease or increase in the market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.”

Therefore, the estimated fair market value of the property rights over a portion of the Servco South Street Property to be acquired by HART is based on the hypothetical condition that the property is not impacted by the rail project as of the date of valuation.

### **STUDY CONDITIONS**

This report is subject to the study conditions included in Section I.

### **ESTIMATED MARKET VALUE OF THE HART EASEMENT**

Based on the analysis presented in Section III of the attached report, the fair market value of the property rights over a 5,383<sup>7</sup> portion of the Servco South Street Property, as of August 10, 2014, is estimated to be:

**SIX HUNDRED SIXTY-FOUR THOUSAND DOLLARS**  
**\$664,000.**



Honolulu Authority for Rapid Transportation  
Paragon Partners Ltd.  
August 20, 2014  
Page 5

**ESTIMATED ANNUAL MARKET RENT FOR  
THE TEMPORARY CONSTRUCTION EASEMENT**

Based on the analysis presented in Section IV of the attached report, the annual market value for the Temporary Construction Easement over a 649<sup>sq</sup> portion of the Servco South Street Property, as of August 10, 2014, is estimated to be:

**EIGHT THOUSAND DOLLARS**  
**\$8,000.**

The annual market rent is equivalent to about \$667 per month, or \$4,000 for a six-month period.

\* \* \* \* \*

We appreciate the opportunity to assist you on this interesting assignment. Please contact us if you have questions.

Sincerely,

JOHN CHILD & COMPANY, INC.

Paul D. Cool, MAI, CRE  
Vice President  
Certified General Appraiser License No. 71  
State of Hawaii  
Expires December 31, 2015

MCCORRISTON MILLER MUKAI MACKINNON LLP  
ATTORNEYS AT LAW

October 2, 2015

Honolulu Authority for Rapid Transportation  
City and County of Honolulu  
Alii Place, Suite 1700  
1099 Alakea Street  
Honolulu, Hawaii 96813

Attention: Ms. Elizabeth Scanlon  
Director of Planning, Permitting, and Right of Way

Subject: Honolulu Rail Transit Project (HRTTP)  
609 South Street  
Parcel 447: Tax Map Key No. (1) 2-1-031: 030 (portion)

Dear Ms. Scanlon:

By letters dated October 31, 2014 and April 21 2015, Servco Pacific Inc. ("**Servco Pacific**") formally rejected the acquisition value for a perpetual easement for Parcel 447 and two (2) temporary construction easements ("**TCEs**") offered by the Honolulu Authority for Rapid Transportation (HART) for the reasons stated in those prior letters.

Servco Pacific has been recently advised by Jackson Blagden of Paragon Partners that the HART design group has determined that the TCEs previously included in the HART offer are no longer needed and can be eliminated from the negotiations if Servco Pacific so desires. As a first item, please be advised the Servco Pacific does desire the elimination of the previously proposed TCEs in connection with the acquisition of Parcel 447.

As Servco Pacific previously advised HART, it retained James E. Hallstrom of The Hallstrom Group / CBRE, Inc. as its appraisal consultant to review, analyze, report on, and advise as to the fair market valuation of the fee simple interest in the 5,383 square feet of the Servco Pacific Property which comprises Parcel 447 and which HART wishes to acquire in connection with the proposed development of the Civic Center rail station along Halekauwila Street in the Kakaako District of Honolulu.

Based on the analysis and report prepared by The Hallstrom Group / CBRE, Inc. and further consultation with Mr. Hallstrom, Servco Pacific hereby offers to sell to HART its fee simple interest in the 5,383 square feet of the Servco Pacific Property which comprises Parcel 447 for a purchase price of \$1,970,000.00 which valuation assumes the loss of the floor area density associated with the 5,383 square feet contained in the subject Parcel 447. A copy of the Land Transactions Adjustment Schedule from the report prepared by The Hallstrom Group / CBRE, Inc. for Servco Pacific is attached hereto.

As noted, this counteroffer is for a fee simple sale of Parcel 447 to HART under threat of condemnation, and not of a perpetual easement in Parcel 447.

Honolulu Authority for Rapid Transportation  
Attn: Ms. Elizabeth Scanlon  
Counteroffer – Parcel 447  
October 2, 2015  
Page 2

Please note further that Servco Pacific wishes to continue to pursue the means by which it would be allowed to retain the floor area density associated with Parcel 447 as part of the negotiated acquisition of Parcel 447 by HART under threat of condemnation. Servco Pacific accepts and recognizes that if the floor area density associated with the Parcel 447 is allowed by the applicable governmental authorities to be retained by Servco Pacific that it will reduce the total acquisition value of Parcel 447.

In his last email to us, Mr. Blagden advised as follows:

On a slightly different note, while I understand Servco's interest in having the clearest picture possible relative to the relocation and potential relocation benefits and process, the relocation is separate and distinct from the acquisition. It is important that we also move forward with the acquisition negotiations. I know that HART would like to get an agreement in place soon so that we can open escrow and proceed towards resolving the acquisition. If Servco plans to submit a counteroffer based on the appraisal they received, it would be better to do so sooner rather than later.

Servco Pacific is willing to move forward on parallel or concurrent tracks with respect to the acquisition value for the 5,383 square feet comprising Parcel 447, but as Servco Pacific has firmly and consistently stated in prior discussions and correspondence with HART it also remains Servco Pacific's firmly held viewpoint that all of these matters are interconnected and an integral part of reaching a final negotiated resolution on both the land valuation for the real property and improvements to be taken by HART and the relocation/re-establishment costs and expenses to be reimbursed and paid to Servco Pacific. Also please note that the final acceptance of a negotiated resolution with HART will require final approval by the Executive Committee of Servco Pacific.

After you have had a chance to review and consider the foregoing offer please feel free to contact the undersigned at (808) 529-7334, or email at [mackinnon@m4law.com](mailto:mackinnon@m4law.com), with any questions or comments or if you would like to set-up a meeting to discuss the counteroffer by Servco Pacific in more detail.

Very truly yours,

McCORRISTON MILLER MUKAI MacKINNON LLP



D. Scott MacKinnon  
Attorneys for Servco Pacific Inc.

DSM:cn  
cc with enclosure:  
Servco Pacific Inc.  
Mr. Jackson Blagden



HONOLULU AUTHORITY for RAPID TRANSPORTATION

IN REPLY REFER TO:  
CMS-AP00ROW-01194

Daniel A. Grabauskas  
EXECUTIVE DIRECTOR AND CEO

**CERTIFIED MAIL/RETURN RECEIPT REQUESTED**  
**7014 3490 0001 5634 9253**

March 24, 2016

Ms. Carol K. Lam, Senior Vice President  
Servco Pacific, Inc.  
c/o Mr. D. Scott MacKinnon, Esq.  
McCorriston Miller Mukai MacKinnon LLP  
Five Waterfront Plaza, 4th Floor  
500 Ala Moana Boulevard  
Honolulu, Hawaii 96813

Attention: Mr. D. Scott MacKinnon, Esq.

Dear Ms. Lam:

**Subject: Honolulu Rail Transit Project (H RTP)**  
**616 Keawe Street (also referred to as 609 South Street)**  
**Parcel 447: Tax Map Key (TMK) 2-1-031-030 (Portion)**  
**Response to Counteroffer Letter and Final Proposal for Settlement**

This is in response to your letter dated October 2, 2015 (Counteroffer), responding to the Honolulu Authority for Rapid Transportation's (HART) offer dated October 1, 2014, in the amount of \$668,000 (Six Hundred Sixty-Eight Thousand Dollars) to acquire a permanent easement over a 5,383-square-foot portion of your property and a Temporary Construction Easement (TCE) consisting of 649 square feet in connection with the H RTP.

The Counteroffer expressed various terms under which Servco Pacific, Inc. (Servco) would agree to sell the needed interest in a portion of its property to HART. The terms of settlement proposed in the Counteroffer are outlined herein for reference as follows:

- Elimination of the TCEs totaling 649 square feet from negotiations.
- Purchase price for a fee simple interest in the 5,383 square feet needed by HART for \$1,970,000 based on the elimination of floor area density associated with the acquisition based on the analysis and report prepared by The Hallstrom Group/CBRE, Inc.
- If Servco's desire to maintain the floor area density of the subject property can be maintained, the total acquisition value proposed by Servco would be reduced from the counteroffered amount of \$1,970,000.

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As indicated in the Counteroffer, HART has determined that the TCEs described in the original offer are not needed and can therefore be removed from negotiations. However, HART continues to seek the acquisition of only an easement interest in 5,383 square feet of the Servco property. HART's intention in seeking only the easement interest is to help Servco maintain the floor area density it currently possesses and wishes to maintain. If HART were to seek to make this acquisition in fee simple, it could not guarantee any determination by the Department of Planning and Permitting (DPP) to allow Servco to maintain its current floor area density.

Given the age of the HART appraisal, which was the basis of the original offer dated October 1, 2014, HART determined that it was prudent to secure an update to the appraisal. A restricted appraisal report with effective date of March 8, 2016, has been obtained by HART analyzing only the 5,383-square-foot permanent easement to serve as this update. This restricted report is the basis for this response and proposal for settlement from HART for the permanent easement interest.

Based on the aforementioned restricted appraisal report and in the interest of reaching a mutually agreeable negotiated settlement for the needed acquisition, HART proposes to acquire only the 5,383-square-foot perpetual easement needed for the construction of the H RTP for **\$865,400 (Eight Hundred Sixty-Five Thousand Four Hundred Dollars)**. The easement HART seeks to acquire is described in the enclosed "Exhibit A." Again, the intent of acquiring this portion of the Servco property as an easement is to allow Servco to maintain its floor area density.

In determining the proposed settlement amount, HART has reviewed pertinent and current market data, together with any adverse impacts on the remaining interest in the property, and has determined that this amount is supported, justifiable, and in the public's interest. This settlement amount is subject to Federal Transit Administration's concurrence and does not include relocation benefits, which will be calculated at a later date in accordance with the Uniform Relocation Act (URA) under §24.301(d), §24.303, and §24.304.

If the proposed settlement is acceptable, please sign on the acceptance portion of the duplicate letter and return the signed copy to us. At the same time, we request your cooperation in filling out and returning the enclosed IRS Form W-9 with your Taxpayer Identification Number. The W-9 is required by the City's Department of Budget and Fiscal Services to release the funds. HART will be using Title Guaranty to escrow this transaction. The escrow fees and closing costs shall be borne by HART, except prepaid items such as prorated property tax and insurance.

We request your response to our settlement proposal by no later than April 5, 2016. If we do not hear from you by the requested date, this settlement shall be considered rejected and HART will pursue other options including eminent domain to clear the right of way. Should this matter proceed to eminent domain, this proposed settlement shall be considered null and void and the offer amount will revert to the original offer.

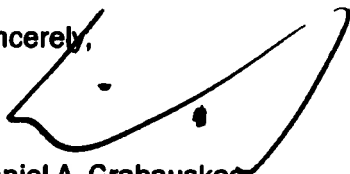
Ms. Carol K. Lam, Senior Vice President

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Please feel free to contact Mr. Jackson Blagden at 536-5900 if you have any questions or would like to discuss the matter further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Daniel A. Grabauskas', written over a horizontal line.

Daniel A. Grabauskas  
Executive Director and CEO

Enclosures

ACCEPTED:

SERVCO PACIFIC, INC.

By \_\_\_\_\_  
Its

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_